

SENATE BILL 897

By Haynes

AN ACT to amend Tennessee Code Annotated, Section 49-7-802; Section 49-7-805(13), 49-7-809(a)(2) and Section 49-7-811, relative to the Tennessee Baccalaureate Education System Trust Act.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 49-7-802(3), is amended by deleting the word "individuals" and by substituting instead the word "persons".

SECTION 2. Tennessee Code Annotated, Section 49-7-802(4), is amended by deleting the word "individuals" and by substituting instead the word "persons".

SECTION 3. Tennessee Code Annotated, Section 49-7-802(8), is amended by deleting the same in its entirety and by substituting instead the following:

(8)"Purchaser," for purposes of the educational savings plan, means the person who enters into a tuition contract under this part for the creation and deposit of contributions to a savings account and who owns the account created under the contract. For purposes of the educational services plan, "purchaser" means the person who enters into a tuition

contract under this part for the purchase of a tuition unit or units and who controls the units under the terms and conditions of the contract;

SECTION 4. Tennessee Code Annotated, Section 49-7-805(13), is amended by inserting immediately after the word “beneficiary” and immediately before the semicolon “;” the words “and on the transfer of ownership of the tuition contract”.

SECTION 5. Tennessee Code Annotated, Section 49-7-809(a)(2), is amended by deleting the same in its entirety and by substituting instead the following:

(2) The terms and conditions under which another individual may be substituted as the beneficiary and the terms and conditions under which ownership of the tuition units or savings account may be transferred;

SECTION 6. Tennessee Code Annotated, Section 49-7-811(a)(1), is amended by deleting the same in its entirety and by substituting instead the following:

(a)(1) Unless otherwise provided for in the tuition contract, a tuition contract may be terminated by the purchaser under any of the following conditions upon written request of the purchaser to the board:

(A) The death or permanent disability of the beneficiary;

(B) Notification to the board in writing that the beneficiary is eighteen (18) years of age or older and has decided not to attend an institution of higher education;

(C) The beneficiary has completed the requirements for a degree at an institution of higher education; or

(D) The rollover of all amounts in a tuition contract to another qualified state tuition program, as defined under the sections of the Internal Revenue Code which are applicable to the program.

SECTION 7. Tennessee Code Annotated, Section 49-7-811(d), is amended by deleting from the first sentence thereof the words “the board shall upon the request of the beneficiary” and by substituting instead the words “the board shall upon the request of the purchaser”.

SECTION 8. Tennessee Code Annotated, Section 49-7-811(d)(1)(B), is amended by deleting from the first sentence thereof the word “beneficiary” and by substituting instead the word “purchaser”.

SECTION 9. Tennessee Code Annotated, Section 49-7-811, is amended by adding the following new subsection at the end thereof:

(g) Unless otherwise provided for in the contract, a tuition contract entered into under this part through the educational savings plan may be terminated by the purchaser for any reason upon written request of the purchaser to the board. Termination shall occur no earlier than a maturity period as may be set by the board after the first contribution is made to the account. The board shall determine the refund amount and the method and schedule for payment of the refund.

SECTION 10. Nothing in this act shall impair the validity or enforceability of any action taken or policy adopted by the board of trustees of the baccalaureate education system trust fund program prior to the effective date of this act. All action taken and policies adopted by the board prior to the effective date of this act are hereby deemed valid and enforceable unless the board subsequently acts to modify or rescind such prior action or policy. Contracts entered into by the

board prior to the effective date of this act are hereby deemed to be valid and enforceable by their terms.

SECTION 11. For purposes of rulemaking, the provisions of Sections 3, 6, 7, 8 and 9 of this act shall take effect upon becoming a law, the public welfare requiring it. For all other purposes, Sections 3, 6, 7, 8 and 9 of this act shall take effect on August 1, 2001 and shall apply to all tuition contracts entered into on or after August 1, 2001, the public welfare requiring it. All other Sections of this act shall take effect upon becoming a law, the public welfare requiring it.